

PUBLIC DISCLOSURE

MAY 21, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

EAST CAMBRIDGE SAVINGS BANK

292 CAMBRIDGE STREET
CAMBRIDGE, MA 02141

DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **EAST CAMBRIDGE SAVINGS BANK** prepared by the Massachusetts Division of Banks, the institution's supervisory agency, as of **MAY 21, 2002**. The Division evaluates performance in the assessment area(s), as it is defined by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory"

The bank's overall CRA performance reflects management's commitment to meeting the credit needs of the assessment area. The institution was evaluated under the CRA Large Institution Examination Procedures, which include evaluation of the bank's lending, investment and service performance. The ratings for the three tests are identified on page 3.

Lending Test

East Cambridge Savings Bank's (ECSB) lending levels indicate an adequate responsiveness to its assessment area's credit needs. The bank originated only 41.9% of its HMDA reportable loans and 63.2% of its small business loans within its assessment area. The geographic distribution of loans reflects a good penetration throughout the assessment area. Lending distribution by borrower income demonstrates a good dispersion of loans among borrowers of different income levels, especially when compared to aggregate lenders. The bank's level of community development lending is less than satisfactory for an institution of its size and resources. The bank's use of innovative and flexible lending products was considered adequate and helps to meet the assessment area's credit needs, particularly those of low and moderate-income individuals.

Investment Test

East Cambridge Savings Bank has achieved an adequate level of qualified contributions to organizations within its assessment area during the period examined, although it has not invested in any formal qualified investments. Contributions made by the bank are to organizations that serve low and moderate-income individuals and reflect an adequate responsiveness to the assessment area's needs.

However, the level of donations made to organizations that serve low and moderate-income individuals reflects a good responsiveness to the assessment area's needs.

Service Test

East Cambridge Savings Bank's services are determined to be High Satisfactory. The bank's delivery systems are accessible to all portions of the assessment area. The bank's services are tailored to meet the needs of the assessment area, with specific services benefiting low and moderate-income individuals. Bank personnel meet with local community organizations to discuss the credit needs of the community, and make their own personal contributions through volunteer efforts in a variety of public service, charitable, and youth organizations. ECSB is a leader in providing community development services primarily for community development purposes and related to the provision of financial services in the Cambridge and Somerville communities.

LENDING, INVESTMENT, AND SERVICE TEST TABLE

The following table indicates the performance level of **EAST CAMBRIDGE SAVINGS BANK, CAMBRIDGE, MASSACHUSETTS**, with respect to the lending, investment, and service tests.

PERFORMANCE TESTS East Cambridge Savings Bank			
Performance Levels	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory			X
Satisfactory	X	X	
Needs to Improve			
Substantial Non-Compliance			

*Note: The Lending Test is weighed more heavily than the Service and Investment Tests when arriving at an overall rating.

DESCRIPTION OF INSTITUTION

East Cambridge Savings Bank (ECSB) is a community based mutual savings bank headquartered in Cambridge, Massachusetts. The institution maintains five full service offices in Massachusetts, including the main office located at 292 Cambridge Street in Cambridge. An operation center is located by the main office. The bank also operates a student-run branch at Cambridge Rindge and Latin High School. The bank maintains Automated Teller Machines (ATMs) at all of its full service offices. The ATMs at the main office and at a branch at Inman Square allow screen displays in English, Spanish or Portuguese. The ATMs are linked to the CIRRUS, EXCHANGE, NYCE, TX and SUM networks.

According to the March 31, 2002 FDIC Quarterly Call Report, ECSB had \$608,057,000 in assets, of which gross loans represented \$419,194,000 or 68.9 percent of total assets. As of that date, the bank had total deposits of \$505,847,000. The bank's net loan-to-deposit ratio stood at 82.3 percent on March 31, 2002.

Approximately, 95.2 percent of the bank's loan portfolio is in real estate loans with 71.3 percent of those loans secured by 1-4 family real estate. Refer to the following table for details of the bank's loan portfolio by type.

Loan Portfolio Composition

Loan Type	Amount (000s)	Percent
One to Four-Family Residential Mortgages	\$298,841	71.3
Commercial Real Estate	\$56,203	13.4
Multifamily Loans	\$37,757	9.0
Construction and Land Development	\$14,552	3.5
Equity Lines of Credit	\$6,163	1.5
Commercial and Industrial	\$3,061	0.7
Consumer Loans	\$2,617	0.6
Total Gross Loans	\$419,194	100

Source: March 31, 2002 Consolidated Report of Condition.

In addition, the bank sells 30-year fixed rate loans to Fannie Mae. In 2001, the bank sold 81 loans totaling \$10,697,976. As of May 21, 2002, no loans have been sold in the secondary market.

East Cambridge Savings Bank operates in a very competitive business environment and has competition from several financial institutions within its assessment area. These financial institutions include but are not limited to the following: Sovereign Bank; Cambridge Savings Bank; Fleet National Bank; Citizens Bank as well as representatives of regional and national mortgage companies. The market influence from these institutions appears to be significant, and as a result, serves to keep the bank's rates and services offered competitive.

Market share information obtained from PCI Services, Inc. CRA WIZ, based on 2000 aggregate performance data (the most recent data available) indicates that among the 368 lenders in the assessment area, the bank was ranked 25th, with 1.0 percent of total loans either originated or purchased within its assessment area. Sovereign Bank was number one in total loans originated or purchased with 6.0 percent of the market share.

The bank has a CRA Committee which is comprised of the President/Chief Executive Officer, Senior Vice President/ Lending and CRA Officer, Senior Vice President/Operations, Vice President/Lending, Vice President/Consumer Compliance Officer, and Vice President/Marketing. The committee meets quarterly and is responsible for overseeing the bank's CRA and fair lending efforts.

On April 17, 2002, the Board of Trustees approved a CRA Action Plan for 2002. The Plan, which is based on the bank's most recent CRA/Compliance examinations and its internal reviews conducted throughout the past year, establishes goals that will assist the bank in better meeting the needs of its community.

There are no financial or legal impediments that would limit the bank's ability to meet the credit needs of the assessment area. East Cambridge Savings Bank's performance under the Community Reinvestment Act (CRA) was assigned a Satisfactory CRA rating at the previous FDIC examination dated March 27, 2001. The Commonwealth of Massachusetts Division of Banks also assigned a rating of Satisfactory on February 7, 2000.

DESCRIPTION OF ASSESSMENT AREA

Demographic and Economic Data

The Community Reinvestment Act (CRA) requires financial institutions to define an assessment area within which their CRA performance will be evaluated. The bank's assessment area consists of the cities of Cambridge, Medford, Somerville and the towns of Arlington Belmont and Watertown. All municipalities are located in Middlesex County and the Boston, MA-NH Metropolitan Statistical Area (MSA).

The assessment area contains 76 census tracts, of which 1 (1.3%) is low-income, 22 (28.9%) are moderate-income, 42 (55.3%) are middle-income, and 11 (14.5%) are upper-income. The low-income tract is located in Cambridge. The moderate-income census tracts are located in Cambridge (12), Somerville (8) and one in Medford and Arlington.

Demographic data obtained from CRA WIZ, based on 1990 census data, indicates that the bank's assessment area contains a total population of 332,053 individuals. There are 140,552 housing units within the assessment area, of which 40.4% are owner-occupied. Most of the units are located in middle and upper-income census tracts. More specifically, there are only 7.9% owner-occupied properties in the one low-income census tract, making

lending opportunities very limited in this tract. Over 8.0 percent of the total households in the assessment area are below the poverty level.

The following table provides demographic and economic information pertaining to the bank's assessment area.

<i>Selected Housing Characteristics by Income Category of the Geography</i>							
<i>Geographic Income Category</i>	<i>Percentage</i>						<i>Median Home Value</i>
	<i>Census Tracts</i>	<i>Households</i>	<i>Housing Units</i>	<i>Owner- Occupied</i>	<i>Rental Units</i>	<i>Vacant Units</i>	
<i>Low</i>	1.3	0.5	0.6	0.1	0.9	1.4	\$210,300
<i>Moderate</i>	28.9	25.9	26.4	18.2	31.8	35.8	\$168,477
<i>Middle</i>	55.3	60.8	60.3	62.3	59.5	52.6	\$208,281
<i>Upper</i>	14.5	12.8	12.7	19.4	7.8	10.2	\$358,875
<i>Total or Median</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>\$216,869</i>

Source: U.S. Census

The median housing value in the assessment area, based on 1990 census data, is \$216,869. However, a more accurate figure was obtained from the year-to-date 2002 housing statistics from the May 27, 2002 Bankers and Tradesman. According to this publication, median home values in the assessment area range from a low of \$270,300 in Somerville to a high of \$607,500 in Belmont. The median housing value for Cambridge is \$496,250.

As part of the examination, community contacts are conducted to determine if there are any areas in need of assistance from local institutions, and to verify if institutions are meeting the credit needs of the community. Two community contacts conducted during the examination provided relevant information on the assessment area. The contacts were conducted in Somerville. One organization primarily focuses on affordable housing and revitalizes run down sections of the city. The other organization also focuses on finding affordable housing for its clients who are poor or homeless.

City of Cambridge Massachusetts

Cambridge is a unique community in its mix of culture, social diversity and education. The city is home to Harvard University and the Massachusetts Institute of Technology and over one-fourth of all its residents are college students, while one-sixth of all its jobs are in higher education. One-third of Massachusetts' biomedical employers are located in Cambridge.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

The institution's Lending Test performance was rated an overall "Satisfactory." The institution's lending efforts are rated under seven performance criteria: Lending Activity, Geographic Distribution, Borrower Characteristics, Community Development Lending, Innovative or Flexible Lending Practices, Fair Lending, and Loss of Affordable Housing. The following information details the data compiled and reviewed, as well as conclusions on the bank's performance.

Scope of Evaluation

The lending test evaluates an institution's record of helping to meet the credit needs of its assessment area based on an analysis of its HMDA-reportable, small business, and community development loans. HMDA reportable loans originated during 2000, 2001 and year-to-date March 31, 2002 were included in the bank's performance. Small business loans originated during 2001 through year-to-date March 31, 2002 were also included in the bank's performance.

The data used to evaluate the bank's lending was derived from the HMDA/LAR (Home Mortgage Disclosure Act/ Loan Application Register) and the bank's CRA Disclosure Statement.

I. Lending Activity

East Cambridge Savings Bank's lending levels reflect a reasonable responsiveness to the assessment area's credit needs. The bank had total assets of \$608 million as of March 31, 2002. Net loans total \$417 million or 68.5 percent of total assets. Lending on one-to-four family residential properties represents the largest portion of the bank's loan portfolio followed by commercial real estate loans and multi-family loans.

The bank's net loans and leases to assets ratio was 69.6 percent as of December 31, 2001. The peer group's net loans and leases to assets ratio for the same time was 64.0 percent, placing the bank in the 67th percentile. The bank's ratio is higher than peer; however, it should be noted that the UBPR determines a peer ratio based on similarly sized banks nationwide without regard to regional or state differences.

HMDA-Reportable Loans

For the period reviewed, East Cambridge Savings Bank originated 712 HMDA-reportable loans totaling \$181 million. Of these 298 loans representing 41.9 percent of the total number were originated in the assessment area. By dollar amount, these loans totaled \$71 million or 39.5 percent. It should be noted that of the 298 loans originated within the

assessment area, 197 or 66.1 percent were refinances and only 27.9 percent were conventional home purchases.

Cambridge accounted for the largest percentage of originations by number with 37.9 percent, followed by Somerville with 24.8 percent. Cambridge also accounted for the largest dollar volume of originations with 45.8 percent, followed by Somerville with 22.2 percent. Refer to the following table for additional information regarding the bank's HMDA-reportable lending, by both number and dollar volume.

<i>Distribution of HMDA Reportable Loans Inside and Outside of the Assessment Area</i>								
<i>Year</i>	<i>Inside</i>				<i>Outside</i>			
	<i>Number of Loans</i>		<i>Dollar in Loans (000s)</i>		<i>Number of Loans</i>		<i>Dollars in Loans (000s)</i>	
	<i>#</i>	<i>%</i>	<i>\$</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>\$</i>	<i>%</i>
<i>2000</i>	81	44.5	22,081	50.6	101	55.5	21,562	49.4
<i>2001</i>	170	39.9	39,164	35.0	256	60.1	72,680	65.0
<i>YTD 2002</i>	47	45.2	10,198	40.1	57	54.8	15,227	59.9
<i>Total</i>	298	41.9	71,443	39.5	414	58.1	109,469	60.5

Source: HMDA /LAR, CRA Wiz

In 2000, East Cambridge Savings Bank ranked 25th in market share out of 368 HMDA reportable lenders in the assessment area. East Cambridge Savings Bank originated 81 loans in the assessment area giving the bank a 1.0 percent market share. The top lender in the assessment area was Sovereign Bank with 500 loans and a 6.0 percent share of the market.

Although the above percentages are low, there are mitigating factors. The bank operates in a highly competitive market. In addition, mortgage-lending opportunities are limited throughout the City of Cambridge, as rental units account for 67.7 percent of the total housing units. The City of Somerville also has a low owner-occupancy rate since rental units account for 69.4 percent of the total housing units in that city. Additionally, college housing also accounts for a large number of housing units in Cambridge.

Small Business Lending

East Cambridge Savings Bank's Small Business Loan Registers (SBLRs) for 2001 and year-to-date March 31, 2002 were reviewed to determine the amount of credit extended within the assessment area. For purposes of this loan register, a small business loan is defined as "a loan with an original amount of \$1 million or less that is: secured by non-farm nonresidential properties; or commercial and industrial loans to US addressees, as defined in the FDIC Call Report Instructions." The bank originated 38 small business loans totaling \$3.6 million, during this period. A total of 24 loans with a total dollar

amount of \$2.0 million were originated to businesses within the bank's assessment area, representing 63.2 percent by number and 55.9 percent by dollar volume.

Refer to the following table for the distribution of small business loans inside and outside the assessment area.

<i>Distribution of Small Business Loans Inside and Outside of the Assessment Area</i>								
<i>Year</i>	<i>Inside</i>				<i>Outside</i>			
	<i>Number of Loans</i>		<i>Dollar in Loans (000s)</i>		<i>Number of Loans</i>		<i>Dollars in Loans (000s)</i>	
	<i>#</i>	<i>%</i>	<i>\$</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>\$</i>	<i>%</i>
<i>2001</i>	13	54.2	1,106	41.4	11	45.8	1,567	58.6
<i>YTD 2002</i>	11	78.6	930	95.9	3	21.4	40	4.1
<i>Total</i>	24	63.2	2,036	55.9	14	36.8	1,607	44.1

Source: CRA Data Collection

In summary, the bank's distribution of HMDA reportable loans inside the assessment area is less than adequate, while the distribution of small business loans inside the assessment area is marginally adequate, based on the bank's size and resources.

II. Geographic Distribution by Census Tract Income Level

HMDA-reportable and small business loans located within the bank's assessment area were further analyzed to determine their location by census tract income level.

HMDA-Reportable Loans

The table below presents the distribution of HMDA-reportable loans among census tracts of different income levels. Further, the table compares the distribution of loans to the number of owner-occupied housing units in each census tract. The bank's HMDA-reportable loans were also compared to that of all other HMDA-reporters in the assessment area. Other HMDA reporters include bank and non-bank entities such as large national banking companies, other local banks, credit unions and mortgage companies. The most recent data available for this analysis relates to calendar year 2000. Refer to the following table for details.

Distribution of HMDA Loans by Income Category of the Census Tract										
Census Tract Income Level	% Total Owner-Occupied Housing Units	Aggregate Lending Data (% of #)	2000		2001		YTD 2002		Total	
			2000	#	%	#	%	#	%	#
Low	0.1	0.3	0	0.0	1	0.6	0	0.0	1	0.3
Moderate	18.2	24.2	26	32.1	67	39.4	13	27.7	106	35.6
Middle	62.3	61.0	43	53.1	79	46.5	23	48.9	145	48.7
Upper	19.4	14.5	12	14.8	23	13.5	11	23.4	46	15.4
Total	100	100	81	100	170	100	47	100	298	100

Source: 1990 U.S. Census, HMDA LAR, and HMDA Aggregate Data

According to the above table only one loan was originated within the low-income census tract in the bank's assessment area. The low-income census tract is located in East Cambridge, near the bank's main office and has an extremely low rate of owner-occupancy

Additionally, 106 loans or 35.6 percent of the bank's total loans were originated within moderate-income census tracts. Lending activity exceeds the percentage of owner-occupied housing units in these tracts, which represent 18.2 percent of all housing units in the assessment area.

As shown above, the percentage of the bank's lending in moderate-income census tracts in 2000 also exceeds the performance of the aggregate lenders. East Cambridge Savings Bank made 32.1 percent of its loans in moderate-income census tracts, in comparison to the aggregate, which made 24.2 percent of loans in these census tracts.

Small Business Lending

East Cambridge Savings Bank's small business loans were analyzed to determine the distribution by census tract income level within its assessment area.

The following table depicts this distribution.

<i>Distribution of Small Business Loans by Income Category of the Census Tract</i>						
<i>Census Tract Income Level</i>	<i>2001</i>		<i>YTD 2002</i>		<i>Total</i>	
	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
<i>Low</i>	1	7.7	0	0.0	1	4.2
<i>Moderate</i>	8	61.5	8	72.7	16	66.6
<i>Middle</i>	4	30.8	3	27.3	7	29.2
<i>Upper</i>	0	0.0	0	0.0	0	0.0
<i>Total</i>	13	100	11	100	24	100

Source: CRA data collection, CRA Aggregate Lending Data

By geography, the bank achieved a good penetration of small business loans in moderate-income census tracts with 66.0 percent of all loans made in these areas. These were followed by loans in middle-income census tracts, which accounted for 29.2 percent of all small business loans.

Based on the above information, the bank's distribution of HMDA-reportable loans and small business loans by census tract income level reflects a reasonable dispersion of loans throughout the assessment area.

III. Borrower Characteristics

The bank's HMDA reportable and small business loans were further analyzed to determine the distribution of lending by borrower income level and by business revenue and loan size. Residential loan borrowers' reported incomes were compared to the median family income of the Boston MA-NH Metropolitan Statistical Area (MSA). These income figures are based on estimated Department of Housing and Urban Development (HUD) information. The estimated 2000, 2001 and 2002 HUD information for the Boston MSA was \$65,500, \$70,000 and \$74,200, respectively.

Low-income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate-income is defined as income between 50 percent and 79 percent of the median family income level for the MSA. Middle-income is defined as income between 80 percent and 119 percent of the median income. Upper-income is defined as income equal to or greater than 120 percent of the median income.

HMDA-Reportable Loans

The following table shows the number of HMDA-reportable loans granted to low, moderate, middle and upper-income borrowers in comparison to the number of households in the assessment area in each respective income group. In addition the distribution of the bank's loans among various borrower income levels was compared to that of all other HMDA-reporting lenders in the assessment area. The most recent data

available for this analysis is for calendar year 2000. Refer to the following table for details.

Distribution of HMDA Loans by Borrower Income										
Median Family Income Level	% Total House holds	Aggregate Lending Data (% of #)	2000		2001		YTD 2002		Total	
			2000	#	%	#	%	#	%	#
Low	25.4	3.7	4	4.9	16	9.4	1	2.1	21	7.0
Moderate	17.4	10.8	14	17.3	19	11.2	5	10.6	38	12.8
Middle	20.3	20.7	24	29.6	51	30.0	15	31.9	90	30.2
Upper	36.9	43.1	29	35.8	76	44.7	23	48.9	128	43.0
N/A	00.0	21.7	10	12.3	8	4.7	3	6.5	21	7.0
Total	100	100	81	100	170	100	47	100	298	100

Source: U.S. Census, HMDA LAR, HMDA Aggregate Data

East Cambridge Savings Bank extended 21 loans to low-income borrowers representing 7.0 percent of the total loans originated within the assessment area. This is well below the 25.4 percent of low-income households within the assessment area; however approximately 8.6% of these households live below the poverty level. making it difficult to generate loans within this group. In addition, the high cost associated with purchasing a home in the assessment area and the composition of housing within the assessment area both limit lending opportunities.

In regards to moderate-income borrowers, East Cambridge Savings Bank originated 38 loans to this group, representing 12.8 percent of the total originations within the assessment area. This percentage is below the 17.4 percent of moderate-income households within the assessment area.

In comparison to aggregate performance, East Cambridge Savings Bank's lending to low-income borrowers exceeded that of the aggregate in 2000. The bank made 4.9 percent of its loans to low-income borrowers, compared to the aggregate performance of 3.7 percent. The bank also surpassed the aggregate with HMDA-reportable loans to moderate-income borrowers, which accounted for 17.3 percent of total loans compared to 10.8 percent by the aggregate.

East Cambridge Savings Bank ranked 17th in market share in lending to low and moderate-income individuals in the assessment area in 2000. The bank originated 18 loans to low and moderate-income borrowers capturing 1.6 percent of the market. The number one lender to low and moderate-income borrowers was Washington Mutual Bank with 8.7 percent.

Small Business Lending

Small business loans originated within the bank's assessment area were analyzed to determine the typical loan amount at origination. Of the 24 small business loans originated in the bank's assessment area, 19 had original loan amounts of \$100,000 or less. Refer to the table below.

<i>Distribution of Small Business Loans by Loan Size</i>						
<i>Loan Size (000s)</i>	<i>2001</i>		<i>YTD 2002</i>		<i>Total</i>	
	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
<i>\$100 or Less</i>	<i>11</i>	<i>84.6</i>	<i>8</i>	<i>72.7</i>	<i>19</i>	<i>79.2</i>
<i>> \$100 - \$250</i>	<i>1</i>	<i>7.7</i>	<i>3</i>	<i>27.3</i>	<i>4</i>	<i>16.7</i>
<i>> \$250 - \$1,000</i>	<i>1</i>	<i>7.7</i>	<i>0</i>	<i>0.0</i>	<i>1</i>	<i>4.1</i>
<i>Total</i>	<i>13</i>	<i>100</i>	<i>11</i>	<i>100</i>	<i>24</i>	<i>100</i>

Source: CRA Data Collection

Small business loans originated within the bank's assessment area during this period were also analyzed to determine the distribution among businesses of various sizes. The majority of small business loans originated (58.3%) were granted to small businesses whose annual revenues were \$1 million or less. The following table depicts the distribution of small business loans within the bank's assessment area by revenues of the business.

<i>Distribution of Small Business Loans by Gross Annual Revenues of Business</i>						
<i>Gross Annual Revenues (000s)</i>	<i>2001</i>		<i>YTD 2002</i>		<i>Total</i>	
	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
<i><= \$1,000</i>	<i>9</i>	<i>69.2</i>	<i>5</i>	<i>45.5</i>	<i>14</i>	<i>58.3</i>
<i>> \$1,000</i>	<i>4</i>	<i>30.8</i>	<i>6</i>	<i>54.5</i>	<i>10</i>	<i>41.7</i>
<i>Total</i>	<i>13</i>	<i>100</i>	<i>11</i>	<i>100</i>	<i>24</i>	<i>100</i>

Source: CRA Data Collection

Based on the information above, the bank's lending to borrowers of different income levels and businesses of various sizes reflects a good performance.

IV. Community Development Lending

The bank's community development lending during the period examined (2001 and YTD 2002) is found to be less than adequate for an institution of its size and resources.

As defined in the CRA regulation, a community development loan has as its primary purpose: affordable housing for low and moderate-income individuals, community services targeted to low and moderate-income individuals, activities that promote economic development by financing small businesses or small farms, or activities that revitalize or stabilize low and moderate-income geographies. In addition, unless it is for a multifamily dwelling (five or more units), the loan must not be reportable as a home mortgage or small business loan.

During the period under review, ECSB made one qualified community development loan for a multi-family dwelling located in a moderate-income census tract in Cambridge.

In addition, the bank originated nine HMDA-reportable loans totaling \$454,300 to a local management company for the purchase and eventual sale of properties to low and moderate-income individuals.

Based upon the opportunities available throughout the assessment area, ECSB has made a less than acceptable level of community development loans.

V. *Innovative or Flexible Lending Practices*

East Cambridge Savings Bank designs and participates in loan programs aimed at meeting the credit needs of low and moderate-income homebuyers and small businesses. The bank's innovative and/or flexible lending practices serve the assessment area's credit needs. Details of these programs are as follows.

First Time Homebuyer Program

This program offers flexible underwriting guidelines for first time homebuyers purchasing 1-4 family dwellings. The program also features flexible debt-to-income ratios of 33/38. A portion of the downpayment may be obtained from a gift and there are reduced closing costs. In 2001, the bank originated 28 loans totaling \$7,292,180. As of April 30, 2002, the bank originated 28 loans totaling \$6,925,575.

Cambridge, Somerville, Belmont, Arlington, Medford and Watertown First Time Homebuyer Program

For qualified low and moderate-income borrowers attempting to purchase a 1-4 family dwelling within the communities that comprise its assessment area, East Cambridge Savings Bank offers the above first time homebuyer program. The program offers the same flexibility described in the general First Time Homebuyer Program above, but features lower interest rates. In 2001, the bank originated 8 loans totaling \$2,305,480. As of April 30, 2002, the bank originated 8 loans totaling \$2,442,800.

Municipal Mortgage Program

During 2002, the bank, in partnership with MassHousing, introduced the Municipal Mortgage Program. Under this program, the bank offers 100% financing to qualified borrowers who are full-time municipal employees and wish to purchase a single family home or condominium in the city/town where they work. Terms include ¼ percent lower interest rate than standard interest rates, lower attorneys fees, first time homebuyer credit of \$500 and flexible underwriting ratios of 33/41. As of March 30, 2002, the bank originated two loans totaling \$666,400.

VI. Fair Lending Policies and Practices

East Cambridge Savings Bank's fair lending practices were reviewed to determine their conformance to the guidelines established by Regulatory Bulletin 2.3-101, the Division's Community Reinvestment and Fair Lending Policy.

Bank management ascertains the credit needs of the assessment area through their involvement in several area organizations and programs. The bank markets its services and products to the community through a variety of media including print, television, radio, and the Internet. Seminars are also conducted in order to inform potential customers of the services the bank provides.

The bank has established a formal Second Review Program that requires all residential real estate-related applications that are slated for denial to be reviewed by a Senior Loan Officer with a further review by an additional loan officer before an adverse action notice is sent out. In addition, the Board of Investment reviews all declined applications. The purpose of the review is to ensure that all applicants are treated in a fair and equitable manner. Management reviews its HMDA/LAR data annually.

MINORITY APPLICATION FLOW

ECSB's assessment area contains 332,053 individuals, 48,696 or 14.7 percent of whom are minorities. The assessment area's minority population is 0.2 percent Native American, 4.5 percent Asian, 5.8 percent Black, 4.0 percent Hispanic and 0.2 percent Other Race.

A review of residential loan applications was conducted in order to determine the number of applications the bank received from minorities. The bank received 328 residential loan applications from within its assessment area. During the period under review, 25 applications or 7.6 percent were received from minorities. Of these, 22 or 88.0 percent were approved. Refer to the following table for further details.

MINORITY APPLICATION FLOW										
RACE	Aggregate Data* 2000		ECSB 2000		ECSB 2001		ECSB YTD 2002		ECSB TOTAL	
	#	%	#	%	#	%	#	%	#	%
<i>Native American</i>	24	0.2	0	0.0	0	0.0	0	0.0	0	0.0
<i>Asian</i>	411	3.6	1	1.1	4	2.3	1	1.9	6	1.8
<i>Black</i>	294	2.6	0	0.0	5	2.7	2	3.9	7	2.1
<i>Hispanic</i>	235	2.1	2	2.1	0	0.0	1	1.9	3	0.9
<i>Joint Race</i>	168	1.5	2	2.1	2	1.1	1	1.9	5	1.5
<i>Other</i>	199	1.8	1	1.1	3	1.6	0	0.0	4	1.3
Total Minority	1,331	11.8	6	6.4	14	7.7	5	9.6	25	7.6
<i>White</i>	6,154	54.6	75	79.8	143	78.6	41	78.8	259	79.0
<i>NA</i>	3,791	33.6	13	13.8	25	13.7	6	11.6	44	13.4
Total	11,276	100	94	100	182	100	52	100	328	100

*Source: PCI Services, Inc., CRA Wiz Software.

The bank's minority application flow for this review period was compared with the racial make-up of the assessment area and to the 2000 aggregate data for all other HMDA reporters within the assessment area.

The bank's minority application flow falls below the racial composition of its assessment area for all applicants. Further, East Cambridge Savings Bank's minority application flow when compared to the other lenders within the assessment area is below the aggregate for the year 2000.

East Cambridge Savings Bank's minority application flow is lower than expected for an institution with its assessment area and demographic profile.

VII. Loss of Affordable Housing

The bank's development of credit products with flexible lending criteria has assisted low and moderate-income individuals to remain in their neighborhoods.

CONCLUSION (Lending Test)

East Cambridge Savings Bank has demonstrated an adequate responsiveness to the assessment area's credit needs. Less than a majority of the bank's HMDA reportable loans are made within its assessment area and only a marginally satisfactory level of small business loans are located within the assessment area. However, the bank's lending to individuals of various levels of income and businesses of different sizes demonstrates a good distribution. The bank has an established record of serving the credit needs of low and moderate-income individuals and businesses with gross annual revenues of \$1 million or less. The institution has granted a less than satisfactory level of community development loans within its assessment area during the period examined. While the bank's fair lending performance was found to be reasonable, its minority application flow was less than expected.

Based primarily upon the distribution of its HMDA-reportable and small business loans, East Cambridge Savings Bank's lending performance is accorded an overall rating of Satisfactory.

INVESTMENT TEST

As defined under the CRA regulation, a qualified investment is a lawful investment, deposit, membership share or grant that has community development as its primary purpose. Community development includes affordable housing for low and moderate-income individuals, community services targeted to low and moderate-income individuals, activities that promote economic development by financing small businesses or small farms, and activities that revitalize or stabilize low and moderate-income geographies. In recognition of the many legal limitations on bank investments, and the long-term nature and complexity of many community development investments, the CRA regulation allows some reasonable consideration for the entire bank portfolio of qualified investments, not just those made since the previous CRA examination.

East Cambridge Savings Bank's qualified investments indicate a limited responsiveness to its assessment area's credit and economic development needs. A review of the bank's investment portfolio revealed no qualified or innovative investment vehicles. The bank's investment portfolio totals \$117 million and comprises 19 percent of total assets. The investments consist primarily of Government Agency securities and other marketable securities, none of which are considered qualified community development investments. However, in response to the credit needs within its assessment area, the bank supports various organizations through charitable contributions.

Charitable Contributions

Although not particularly innovative or complex, the level of contributions made to low and moderate-income individuals or organizations that serve low and moderate-income individuals reflects a satisfactory level of responsiveness to credit and community economic development needs.

The bank has provided contributions and scholarships to organizations that provide education and training, affordable housing, youth programs, and health and human services for individuals in need. The majority of donations are made through the East Cambridge Charitable Foundation which was founded by the bank in 1997. The foundation is a separate entity from the bank, but its Board of Directors consists entirely of ECSB Trustees. It was initially established with equity investments from the bank's investment portfolio. The foundation is required by law to contribute at least five percent of the fair market value of its assets on an annual basis. During calendar year 2001, the bank provided \$112,800 in charitable contributions, of which \$80,555 or 71.4% were in support for the development of organizations which promote community development or to low and moderate-income individuals, as defined under the CRA regulation. As of May 30, 2002, the bank provided \$57,625 in charitable donations, of which \$45,575 or 79.1% were qualified. Of the qualified donations for the period under review, only 0.4 percent were directly from the bank.

The following is a sample of Community Development Organizations that received donations.

- **United Way:** The donations made to this community service organization were targeted towards Homeowners Rehab, Inc. and Cambridge Neighborhood Apartment Housing Services. The mission of both recipient organizations is to develop and maintain affordable housing for Cambridge residents.
- **Cambridge Community Foundation/George E. Wilson Campers Fund:** This Foundation supports a variety of community service initiatives in Cambridge by making grants to individual organizations. The George E. Wilson Campers Fund enables low-income Cambridge children to attend overnight camp. This foundation was established in honor of past ECSB President George E. Wilson.
- **William F. "Doc" Linskey Scholarship:** This fund provides assistance to low and moderate-income students from Cambridge Rindge and Latin High School who are pursuing academic studies at Northeastern University.
- **Consumer Credit Counseling of Massachusetts:** This non-profit organization provides financial counseling and educational programs for families and individuals. Services provided by this organization include seminars on budgeting, money management, and credit histories.

- **Cambridge Family YMCA:** This organization serves low-income minorities with bilingual needs, culturally diverse individuals, and traditional and non-traditional families living or working in Cambridge. .
- **Just-A-Start Corporation:** This organization provides affordable training, education, job-school readiness, placement, and follow-up for disadvantaged youth and adults in Cambridge and the Surrounding areas. The organization also works to develop and retain affordable housing.
- **East End House:** This non-profit organization provides community programs for low and moderate-income families with emphasis on childcare.

Conclusion - Investment Test

As depicted above, East Cambridge Savings Bank makes qualified investments through its contributions within the assessment area. These contributions are directed to low and moderate-income individuals and geographies. The bank has made an adequate level of qualified investments, and has exhibited reasonable responsiveness to credit and community economic development needs. Therefore, the bank's investment performance is considered satisfactory.

SERVICE TEST

The Service Test evaluates an institution's record of helping to meet the credit needs of its assessment area by analyzing both the availability and effectiveness of an institution's systems for delivering retail banking services and the extent and innovativeness of its community development services. East Cambridge Savings Bank's service activities are rated High Satisfactory.

Retail Banking Services

Distribution of Branches

East Cambridge Savings Bank is headquartered in Cambridge, at 292 Cambridge Street. In addition, the bank has an operation center located one block down Cambridge Street. Both offices are located in a moderate-income census tract. The bank maintains four other full service offices in Cambridge (2), Somerville (1) and Belmont (1). One branch in Cambridge is located in a moderate-income census tract. The other three offices are located in middle-income census tracts. All of the office locations offer access to automated teller machines (ATMs) that are linked to the NYCE, CIRRUS, EXCHANGE PLUS, and TX networks. In addition, the bank is a member of the SUM network that allows the bank's ATM cardholders free use at member institution ATMs.

The bank continues to operate an Educational Training Facility that is located in the Cambridge Rindge and Latin High School. This limited service, student-run branch, which has been open since 1989, serves the students, faculty and school department personnel during the school year. The students perform all banking transactions under the supervision of bank personnel. They must also complete the introduction to Banking class offered by the school.

Record of Opening and Closing Branches

The bank maintains a Retail Banking Office Opening and Closing Policy. The Board of Directors approves this policy on an annual basis. The plan outlines basic procedures to be followed should the decision be made to open or close an office. The bank opened a branch in Waltham in May 2002. No offices have been closed since the last FDIC examination dated March 27, 2001.

Alternative Retail Banking Services

The bank offers the Cashmate Banking Card to its customers. This card performs all of the same functions as an ATM card plus the added buying power at Point of Sale terminals. The amount of the purchase is directly withdrawn from the customer's checking account.

The bank offers customers 24-hour account access through its automated telephone response system, Banking Connection. By utilizing this service, customers can access their accounts, obtain balance inquiries, transfer funds from one account to another, obtain current interest rate information, and determine loan payment information on a current loan or mortgage account.

The bank has 81 bilingual employees on staff. The languages spoken by bank personnel include Portuguese, Italian, Greek, French Creole, Spanish, Hindi, Punjabi, Urdu and Haitian Creole.

The bank offers Bank-by-Mail envelopes to make deposits, transfers, withdrawals, and loan payments. The bank pays the postage both ways.

In addition to the above options, the bank also hosts a website at www.ecsb.com. Customers can check account balances, verify cleared checks, and deposits and view current and previous month's transactions. The website also features online bill payment, a tool that allows online users to pay their bills to any person or company in the United States at no cost.

Other Retail Services

As a participant in the Massachusetts Community and Banking Council's (M.C.B.C.) Basic Banking for Massachusetts program, the bank offers low-cost checking and savings accounts for people with modest incomes. The bank offers a low monthly fee (\$3.00) checking account with no minimum balance requirements. The bank's passbook savings account requires no minimum balance and does not charge any monthly fees. A statement savings account is offered as well, featuring a \$1 monthly-fee that is waived if a minimum balance of \$200 is maintained.

Educational Savings Programs

The bank participates in the Savings Makes Cents educational program created by the Commonwealth of Massachusetts. In October 2000, the bank created a Student Savings Branch at the Harrington Elementary School in Cambridge. This deposit-only branch can be accessed only by students in grades five through eight and the faculty and staff of the Harrington School. The branch is run by fifth grade students, with adult supervision and is open two hours per week.

COMMUNITY DEVELOPMENT SERVICES

The CRA regulation defines a community development service as a service that is primarily for community development purposes and is related to the provision of financial services. East Cambridge Savings Bank's staff is involved with community organizations that address economic and affordable housing development. Through these involvements, the bank's staff lends its technical expertise, experience and judgment to these organizations. Detailed below are the bank's qualified community development services.

- **Cambridge Family YMCA:** The bank's President and CEO serves as a member of the Board of Directors of this organization whose mission is to serve the needs of families and the youth of Cambridge.
- **Cambridge and Somerville Program for Alcohol and Drug Abuse Rehabilitation (CASPER):** The bank's CRA Officer serves as a board member of this organization founded to provide social services to low-income individuals through several programs including the Albany Shelter, which offers overnight housing to poor and homeless alcoholics and drug abusers.
- **Cambridge Street Advisory Committee:** The bank's CRA Officer provides board participation to this committee formed to improve the area from Lechmere Station and Canal Park down the length of Cambridge Street to Inman Square by installing new sidewalks, lights, benches, parking etc.

- **Cambridge Neighborhood Apartment Housing Services Inc.:** The bank's CRA Officer serves on the board and is the Treasurer of this organization that assists owners of rent-controlled properties with financing to rehabilitate distressed multi-family rent-controlled dwellings in the City of Cambridge.
- **Just-A-Start, Teen Transitional Housing:** The bank's CRA Officer serves on the advisory committee of this federally funded program designed to house single mothers from the Cambridge and Somerville area.
- **William F. Linskey Scholarship Fund Road Race:** The bank's CRA Officer is a committee member and director of this race whose proceeds are made available to Graduates of Cambridge Rindge and Latin High School who will attend Northeastern University. In order to qualify, a recipient must demonstrate financial need. Approximately 70% (estimated) of funds are directed to low and moderate-income individuals. The bank's Senior Vice President of Commercial Lending serves as the Vice Chair and is a member on the Board of Directors.
- **East End House:** This non-profit organization is committed to providing family and community service programs, including day care, after school programs and summer programs, senior services, violence prevention, emergency food programs, community education and outreach serving East Cambridge, Cambridge and surround communities. A bank Vice President serves on the Board of this organization.

Educational Services and Seminars

During 2002, the bank conducted three first time homebuyer seminars to educate consumers about products that are available to meet their specific needs. On March 26, 2002, a seminar was held in the main office in Cambridge. On March 27, 2002, a seminar was held at the Highland office in Somerville. On April 3, 2002, a seminar was held at the Cushing Square office in Belmont. Discussions were held on the application process, downpayment requirements, qualifying ratios, closing costs and expected timeframes.

CONCLUSION (Service Test)

As illustrated above, East Cambridge Savings Bank demonstrated a good level of service activity and involvement in community organizations throughout its assessment area primarily for community development related to the provisions of financial services. The bank's products and alternative banking services are tailored to the convenience and needs of its assessment area. Therefore, a rating of High Satisfactory is warranted.

APPENDIX A

SCOPE OF EXAMINATION

East Cambridge Savings Bank has one assessment area, which was reviewed using the examination procedures for large banks.

The CRA evaluation included HMDA-reportable loans and small business loans. The time period used was January 1, 2000 to March 31, 2002 for HMDA-reportable loans and January 1, 2001 to April 30, 2002 for small business loans.

The bank's qualified investments were also reviewed and exhibit an adequate responsiveness to credit and community economic development needs.

In addition, the bank's systems for delivering retail banking services and the provision of community development services were considered and found to be High Satisfactory.

All of the bank's locations are in the Boston-MA Metropolitan Statistical Area (MSA).

Internal analysis generated by management was reviewed during the examination, as was comparative data for the assessment area obtained from CRA WIZ. The examination also included a review of the bank's Public File, which contained no negative CRA-related comments.

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

EAST CAMBRIDGE SAVINGS BANK

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **MAY 21, 2002**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

A majority of the Board of Directors/Trustees

Dated at _____ this _____ day of _____ 20 ____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that assessment area shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.

